

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 /056 W

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R 201031Z NOV 76

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 5219

C O N F I D E N T I A L ABU DHABI 3105

E.O. 11652: GDS

TAGS : BENC, BDIS, TC

SUBJECT : THINGS LOOKING UP FOR INTERCONTINENTAL IN ABU DHABI

REF: (A) ABU DHABI 2638, (B) ABU DHABI 2584,
(C) ABU DHABI 2645

1. DCM RECEIVED TELCON FROM INTERCONTINENTAL (IHC)
REP HARABI NOV 17 TO REPORT LATEST DEVELOPMENTS IN
IHC-ABU DHABI GOVERNMENT (ADG) DISPUTE OVER CONSTRUCTION
HOTEL IN ABU DHABI (REFTELS). IN GENERAL, POSITIVE NOTE
OF REF A CONTINUES TO BE SPIRIT OF DAY. IHC HAD MEET-
ING WITH SUROOR AND ABU DHABI FUND REPS ON NOV 8-9
WHICH HAD IMMEDIATE RESULT OF ADG AGREEING TO RELEASE
FUNDS TO MEET OUTSTANDING ARREARS. THIS WAS CLEARLY
KEY POINT FROM IHC PERSPECTIVE.

2. IHC FOR ITS PART APPEARS HAVE MADE SOME SUBSTANTIAL
CONCESSIONS AS WELL. IT HAS AGREED TO LET ADG COME UP
WITH ADDITIONAL CONTRACTORS WHO MIGHT BE ABLE DO POR-
TIONS OF JOB CHEAPER THAN THOSE NOW PREQUALIFIED. ONLY
CONDITION IS THAT NEW CONTRACTORS LIKEWISE MEET STAND-
ARDS. ON QUESTION OF FEES WHICH (AS NOTED REFS B AND C)
STRUCK ADG AS BEING HIGH, IHC AGREED WITH REF TO 6 PERCENT
CHARGE ON PURCHASES TO ALLOW ADG TO SEEK OBTAIN SAME
ITEMS DIRECTLY WITHOUT IHC INVOLVEMENT. IF GOVERNMENT
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COULD OBTAIN ITEMS MEETING SAME SPECS IHC WOULD BE

CONTENT AND NO FEES WOULD BE OWED. IHC CLAIMS THAT IT MOST UNLIKELY THAT ADG WILL BE SUCCESSFUL IN THIS EFFORT, BUT THEY CAN HAVE TRY.

3. KEY REMAINING QUESTION MARK IS SIZE OF HOTEL TO BE BUILT. ADG WANTS TO KEEP PROJECT MOVING AND NOT WAIT FOR NEW DESIGNS. BUDGET, HOWEVER, REMAINS FIXED AT \$75 MILLION. IN SHORT, PROBLEM IS ONE OF CUTTING ELEMENTS OF EARLIER DESIGNS (OR LEAVING PORTIONS IN SHELL FORM ONLY) SO THAT THIS CEILING CAN BE MET. AT MOMENT FOCUS IS ON 413 ROOM DESIGN. THERE IS TO BE MEETING IHC, FRENCH CONTRACTOR WHO WAS LOW BIDDER, AND ADG AUTHORITIES ON NOV 22 TO REVIEW POSSIBILITIES.

4. COMMENT: IT STRIKES US THAT, WHILE ADG HAS BACKED DOWN A BIT, IT IS IHC THAT HAS MADE MAJOR CONCESSIONS. PERHAPS THESE ARE MORE ON PAPER THAN REAL (I.E. CONTRACTORS STILL MUST QUALIFY AND DIRECT PURCHASES BY ADG STILL MUST MEET STANDARDS), BUT CERTAINLY ADG NOW HAS CHANCE TO ESTABLISH FACTS TO ITS OWN SATISFACTION, WHICH IS NO SMALL GAIN FROM ITS POINT OF VIEW. WITH ELEMENT OF TRUST NOW REESTABLISHED, PRESUMABLY DESIGN/BUDGET QUESTIONS, WHILE OBVIOUSLY SIGNIFICANT, CAN BE RESOLVED.
DICKMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ABUDH03105
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760433-0153
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761129/aaaaayeo.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 ABU DHABI 2638, 76 ABU DHABI 2584, 76 ABU DHABI 2645
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUN 2004 by BoyleJA>; APPROVED <22 OCT 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THINGS LOOKING UP FOR INTERCONTINENTAL IN ABU DHABI
TAGS: BENC, BDIS, TC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006